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Director of Central Intelligence

Top Secret

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National Intelligence Daily

Wednesday
30 April 1980

Top Secret

CO NID 80-102JX

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30 April 1980

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SITUATION REPORTS

(1) IRAN

Iraq probably was responsible for yesterday's attempted assassination of Foreign Minister Ghotbzadeh in Kuwait. 25X1

Kuwaiti authorities suspect the attackers were Iraqis or Iraqi sympathizers. 25X1

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The attack may lead to further decline in Iranian-Iraqi relations. More border incidents are likely, and the Iranians probably will search for some way to retaliate in kind for the attempt on Ghotbzadeh. 25X1

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Chamran's Comments

Defense Minister Chamran--who is not a particularly influential figure--said yesterday he favors releasing the hostages and argued that every country uses its embassies to collect intelligence. Chamran is acutely conscious of Iran's military weakness in the aftermath of the US rescue mission, and he probably is concerned that the US will mount military operations against Iran. 25X1

The Iranian Army broadcast a warning to all its units yesterday that the US may soon launch another "plan" for military intervention. The broadcast stated that US Marines have arrived in Bahrain. 25X1

Bani-Sadr has publicly asked the European Parliament, the Nonaligned Movement, the Islamic states, and the UN to send delegations to Tehran on 10-12 May for a review of the US aggression. The Nonaligned states were also asked to convene in "emergency session" at the ministerial level on this issue. 25X1

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Tudeh Statement

The pro-Soviet Tudeh Party has issued a statement condemning the rescue mission and characterizing it as "one link" in a US conspiracy to overthrow the Khomeini regime. The Soviet-controlled National Voice of Iran radio based in Baku has taken a similar line on the mission and warned that the US is using a "fifth column" of Iranians to support its "plots."

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The Tudeh and other leftists probably are especially pleased that the rescue mission has at least temporarily halted the attacks on leftists at Iranian universities. Classes reportedly have resumed on some campuses.

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Kurdish Tensions

Both President Bani-Sadr and the principal Kurdish dissidents declared a cease-fire in the Kurdish areas effective at midnight local time last night. Tensions remain very high, however, and significant fighting could resume if Bani-Sadr does not send a goodwill delegation from Tehran to Mahabad today as the Kurds claim he will. Both sides have indicated that the prospect of some progress in the autonomy negotiations may have permitted the agreement on a cease-fire.

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(2) USSR-AFGHANISTAN

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Soviet troops also may have to assume more responsibility for security in Kabul, where student demonstrations have led to clashes with the Afghan police and Army. Rumors that school girls involved in demonstrations were killed by Afghan troops could inflame the situation.

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Last weekend, the unenthusiastic popular reaction to the second anniversary of the coup that brought the Marxists to power in Kabul gave fresh testimony to the government's weakness. President Babrak's speech emphasizing Afghanistan's ties to the USSR almost certainly reinforced the belief that he depends on Soviet troops for survival. During the ceremonies, the two deputy prime ministers pointedly ignored each other in another display of the deep divisions within the ruling party.

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BRIEFS AND COMMENTS

(3)

USSR-US: Warning on Iran

1/2/3/4 *Moscow repeated a warning issued by President Brezhnev in 1978 against US military action in Iran and also is increasing its efforts to isolate the US from its allies by its propaganda on the abortive rescue mission in Iran and on Secretary Vance's resignation.*

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a Soviet Foreign Ministry official on Sunday warned that further US military actions in Iran can lead to "most dangerous results." The official recalled Brezhnev's statement of 19 November 1978, in which the Soviet leader warned that military "interference" in Iran would be regarded by the Soviet Union as affecting its "security interests." Moscow last cited this statement publicly in a TASS commentary on 25 March.

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Soviet propaganda recently has become even harsher, attempting to portray a "serious and dangerous crisis in Washington's whole foreign policy course." Most of the commentary has attempted to present Secretary Vance as a victim of the US political system and of intrigues against him, but one Soviet domestic broadcast warned that his departure "alerts" the world to "the dangerous, adventurist course on which the US has embarked."

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The theme of US irresponsibility also was prominent in Foreign Minister Gromyko's press conference in Paris on 25 April and in the speech of candidate Politburo member Ponomarev to the gathering of European Communists in Paris on Monday. In addition, Gromyko warned the Europeans against US "pressure."

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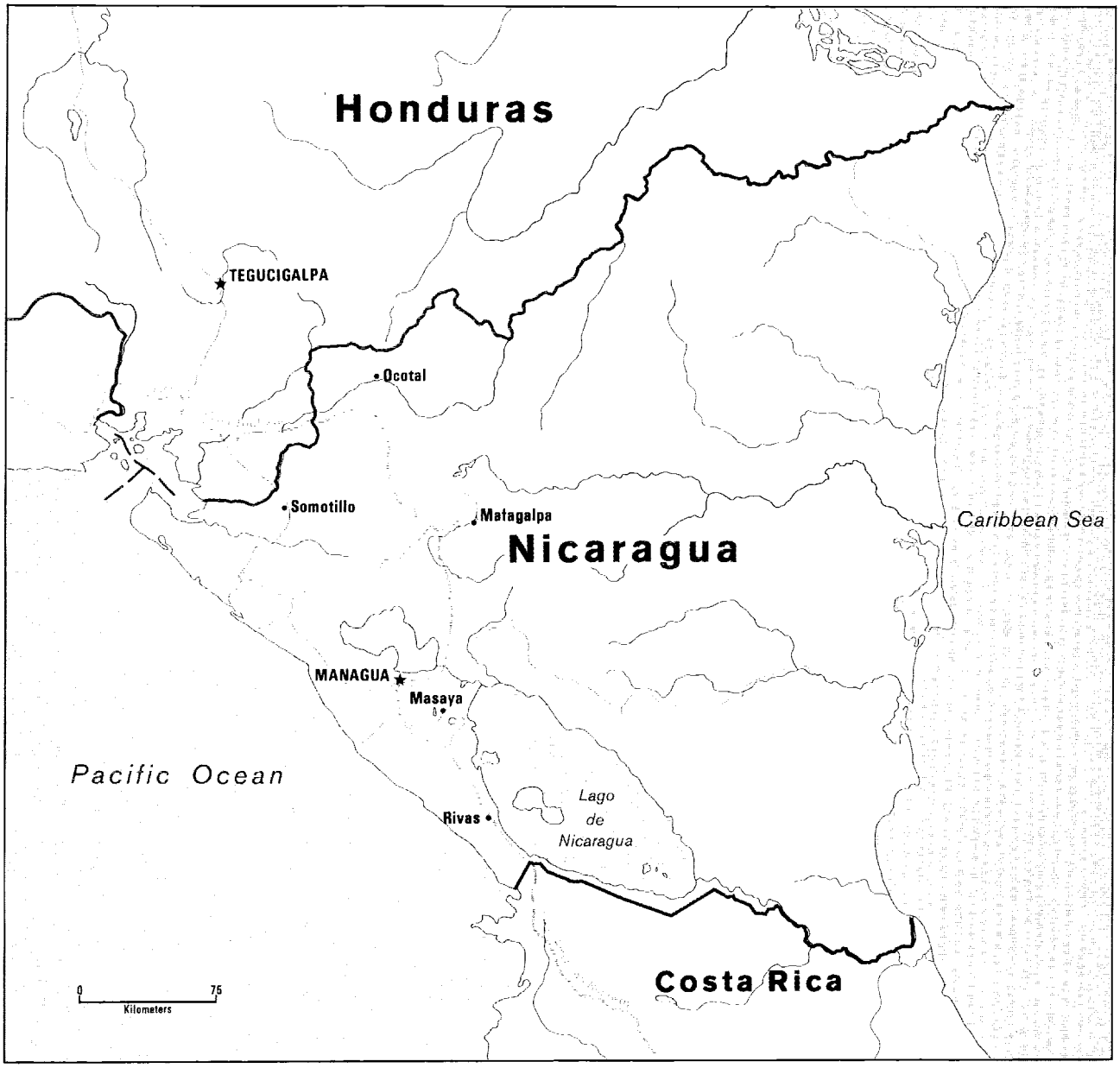

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NICARAGUA: Limited Concessions

The Sandinistas are attempting to divide the opposition by granting limited concessions.

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To split private sector groups from moderate Alfonso Robelo--who resigned from the junta last week to protest Sandinista policies--the Sandinista National Directorate has agreed to halt confiscations of private property, permit citizens to appeal government decisions, and rescind the state of emergency in effect since last July. According to Sandinista leaders, representatives of the private sector will replace Robelo and another moderate on the junta.

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In a related move, the dispute over the independent newspaper *La Prensa* has been resolved in favor of the owners, with pro-Sandinista employees leaving to establish their own paper.

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These concessions may not satisfy the coalition of business groups and independent political parties that has challenged recent actions by the National Directorate. Other private sector demands have not been met. The government has announced that Robelo will be barred from the junta, and the Sandinistas still intend to pack the quasi-legislative Council of State--the decision that precipitated the current crisis.

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Anti-Sandinista unrest is increasing.

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JAPAN: Civilian Research and Development

Japan is preparing to increase spending on civilian research and development by 50 percent in the 1980s.

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Japanese business interests and key government agencies are pushing to raise the share of national income devoted to civilian R & D from 2.1 percent to over 3 percent by 1990 and to double government funding as soon as possible. In a significant step toward securing the political consensus required for an undertaking of this magnitude, the lower house of the Diet has just established a permanent Committee on Science and Technology. Budget constraints may delay any big jump in government spending for a year or two, although government-backed loans could be made available sooner.

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A study by the influential Japan Development Bank concludes that the government should provide greatly increased subsidies for private commercial R & D. Such subsidies would likely be channeled to high-technology, export-oriented Japanese industries and would not increase Japanese basic research as encouraged by the US.

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Currently, the number of scientists and engineers in Japanese industry is just over half that in US industry. Expenditures by Japanese industry for R & D are roughly a third that of US industry, but the cost is much lower in Japan, making the gap in spending for R & D less significant. In addition, military R & D does not divert resources from profit-making endeavors.

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During the coming decade, the gap in R & D investment for commercial purposes could be eliminated by the planned increase in spending. Combined with on-going aggressive acquisition of foreign technology, the increase will help Japanese industry compete successfully with the US in a widening range of advanced technology sectors by the late 1980s.

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[redacted]

10 TURKEY: Violence on May Day

The already high level of violence in Turkey is likely to increase markedly tomorrow as leftists attempt to defy a government ban on rallies and demonstrations. There were clashes in Ankara yesterday when an alliance of students and workers protested the ban, and authorities in Istanbul are considering a curfew in the event of expanded activity. May Day has been a time of heightened turbulence in the last few years--particularly in Istanbul--and security forces have been placed on alert to counter further outbreaks. [redacted]

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(11) LIBERIA: End to Executions

Liberian Head of State Doe's announcement yesterday that his government will forego further executions and that due process will be respected suggests that radicals in the ruling military council have been dissuaded from the need to clean house by more moderate elements. The radicals also may have been influenced by the international criticism of the executions that has isolated the regime. Doe's pronouncement probably reflects the consensus view of the council at this time and not a unilateral decision on his part. There are still over 80 figures from the Tolbert regime under arrest and due to appear before the military tribunal.

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(12) NIGERIA: Anti-Inflation Measures

The government's recently announced anti-inflation program is almost certain to encounter strong resistance from increasingly restive labor groups, including the oil workers' union. Urban workers, whose living standards have dropped sharply under a general wage freeze in effect since 1976, probably will take exception to a proposed 5 percent ceiling on annual wage increases. Lagos has been trying for the past few weeks to head off a number of potentially crippling strikes, but Nigerian labor leaders probably will come under considerable pressure from the rank-and-file for a nationwide walkout.

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SPECIAL ANALYSIS

(13) IRAN: Economic Conditions and Prospects

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The Iranian economy has been running at half speed since the revolution, and there are no signs that a substantial improvement is imminent. Despite publicity given by the Iranian Government to some recent trade deals with the USSR and East European countries, the Bloc does not represent an attractive alternative to Western goods or markets.

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The modern sectors have been most disrupted, with oil production down to about 2.4 million barrels per day in first quarter 1980 or about 45 percent of its prerevolutionary level. Industrial production has been stagnant for months at less than half normal production, and large-scale construction activity has virtually ceased. Grain production reportedly was above average in 1979 due to good weather, and first reports from Iran indicate that another good crop is expected this year.

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The deterioration of the economy has not yet caused extensive unrest due to Iran's ability to obtain basic foods and other necessities in sufficient amounts. The standard of living has been lowered to an austere level, however, with quality foods and manufactured goods difficult to find.

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Oil production has been troubled by marketing difficulties, organizational and labor problems, and increasingly frequent sabotage of oil facilities. The Iranians also are having some problems in obtaining some spare parts, chemicals, and other materials for the oil industry that formerly were purchased from US suppliers.

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Iranian difficulties in finding alternative supplies are attributable to the lack of organization

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rather than the absence of sellers. The greatest problem is acquiring refining catalysts and other process chemicals.

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Tehran last week began denying crude oil to Japanese companies due to disputes over oil prices. British Petroleum and Shell had previously suspended their own purchases. In all, over 900,000 barrels per day of Iranian crude exports are affected.

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Industry

Iran's major industries continue to be plagued by strikes, low labor productivity, worker interference in management, and a lack of competent technical and managerial personnel. Shortages of raw materials and capital goods from abroad--due mostly to Iranian mismanagement--are major problems.

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The takeover last summer of private Iranian ownership of major industries served to prevent the layoff of excess workers and assured the companies' survival through government subsidies. Joint venture operations with foreign partners--who provide some technical and managerial services plus better access to spare parts and raw materials--have generally fared better than the wholly Iranian operations.

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Central Bank officials have stated that 80 percent of Iran's industrial plants are facing severe operating problems. The General Motors plant, which has been operating at less than 50 percent of normal, is expected to run out of assembly kits within two months; Renault and Sunbeam were operating at below 40 percent and 50 percent, respectively.

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Finance

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The blocking of Iranian assets has caused a number of loans to be declared in default. Although the governor of the Central Bank in late March stated Iran's intentions to service its foreign debts, Iran has intentionally withheld payment to US banks.

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Japanese and British banks recently have expressed concern about overdue payments on Iranian loans, and Japanese pressure to secure payment commitments did not elicit a positive response from the Central Bank. While non-US creditors are pointing out in strong language the implications of default, in most cases they have not acted to close out loans.

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Sanctions-Related Prospects

In the event of an imposition of economic sanctions by Western Europe and Japan, Iran would not be willing or able to redirect much of its trade to Soviet Bloc countries, which now account for only 5 percent of Iranian imports. Iran's priority needs are for food and other agricultural products which the Bloc countries would be hard pressed to provide.

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Iran would first attempt to fill its industrial materials requirements through transshipments from third

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Overland Transport Routes Into Iran

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parties, although Communist countries could supply some goods. Maintenance of Iran's plant and equipment--almost entirely of Western origin--requires Western-made components.

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The Bloc would not be a major market for Iran's exportable oil, in large part because of Soviet and East European hard currency constraints. Iran could find a substantially increased market for more of its oil in the USSR and Eastern Europe only if the Soviets agreed to export more of their own oil to the West and consume Iranian crude in its place.

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In the event of a blockade of Iranian ports, Tehran would have no choice but to turn to the USSR to help meet its needs. Soviet overland rail and highway routes, which would have to handle all Iranian imports, would be put under severe strain just to transport the annual Iranian food requirements of 4 to 5 million tons. Disorganization and civil unrest in Iran have held the flow of goods far below even this level for months. Moving increasing quantities of goods across the border would require a large diversion of freight cars and other scarce equipment in the USSR.

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